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SCIENTIFIC SOCIALISM.

RODBERTUS.

THE current ideas in this country respecting theoretical socialism are derived chiefly from the last work of Marx, *Das Kapital*. The views which prevail concerning the policy of the socialists are such as the International, the Socialistic Labor Party, and the Anarchists have given rise to. These are thought to be the only possible theories and policy. But many of the German economists have come to regard Rodbertus as the real master of scientific socialism, and to assign Marx to a secondary place as a theorist. There are also some important points wherein his views differ from those of Marx. The reputation which Rodbertus has acquired as a thinker, and the inherent excellence of his works, furnish the excuse for this attempt to outline his life and theory.¹

Carl Rodbertus, like Marx and Lassalle, was educated amid the movements which led to the revolution of 1848, and received

¹ In order to avoid the multiplication of references, the titles of the most important works of (and about) Rodbertus which have been used in preparing this article are given here together.

Zur Erkenntniss unserer staatswirthschaftlichen Zustände. 1842.

Soziale Briefe an von Kirchmann :

Erster Brief, Die sociale Bedeutung der Staatswirthschaft. 1850. Reprinted in 1885. This edition contains Rodbertus' history of crises.

Zweiter Brief und dritter Brief appeared first in 1850 and 1851, but were reprinted together in 1875 under the title: *Zur Beleuchtung der socialen Frage*. The Second Letter contains the author's theory of the distribution of the national product. The most important portion of it has been reprinted in the first volume of R. Meyer's *Emancipationskampf des vierten Standes*. The Third Letter contains Rodbertus' theory of rent and the argument against Ricardo's doctrine.

Vierter Brief, Das Kapital, was published in 1884 by Wagner and Kozak from the literary remains of Rodbertus. It contains more important material than any other in the series. Besides a *résumé* of his theory of rent and of crises, Rodbertus unfolds in this his doctrine of capital, and describes society as it is organized, with private property in land and capital, and as it will be when private ownership shall be abolished.

In 1885 that which the author had completed of the second part of the Fourth

his practical training during that revolution. Born in 1805, the son of a professor of law in the University of Greifswald, he himself studied law, history, political economy, and philology at various universities ; and, after a brief time spent in travel, bought the estate of Jagetzow, in Pomerania, where he settled down to the life of a landed proprietor. The agitations preceding 1848 called him from seclusion to a place in the Provincial Diet, and afterwards in the Second United Diet, which met at Berlin in 1847. While in this body he acted as member of a commission to prepare a new election law for the National Assembly. The king offered him a patent of nobility, but this honor Rodbertus declined. Early in the next year he was elected to the new Constitutional Assembly. Later he was for a short time member of the cabinet, but resigned because he saw that the government would not come to terms with the parliament at Frankfort. During 1849 Rodbertus labored at Berlin to secure the acceptance of the constitution of Frankfort ; but it was in vain. After that was rejected, and the political reaction set in, he retired from public life, never to enter it again. When the restoration of the German unity was in progress, he sympathized fully with the policy of Bismarck and the Prussian monarchy,

Social Letter was published. It contains some very important material on the method of transition to the socialistic state.

Zur Erklärung und Abhülfe der heutigen Kreditnoth des Grundbesitzes. Two volumes, 1868 and 1869. This contains the explanation of the crisis in German landed property, and of the *Rentenprincip*.

Rodbertus' articles on the economic history of Rome, *Untersuchen auf dem Gebiete der Nationalökonomie des klassischen Alterthums*, are to be found in Hildebrand's *Jahrbücher*. They appeared, 1864-74, in volumes ii. to xxiii.

Briefe und socialpolitische Aufsätze, issued in two volumes, by R. Meyer, Berlin, 1882, contain Rodbertus' correspondence with Meyer from 1871 to his death in 1875, and many short articles which were contributed to the *Berlin Revue*.

Prof. Adolph Wagner contributed to the *Tübinger Zeitschrift*, in 1878, under the title, *Einiges von und über Rodbertus*, some additional correspondence and a reprint of the *Normal-Arbeitslag*.

Briefe von Ferdinand Lassalle an Carl Rodbertus-Jagetzow, Berlin, 1878, throw light on the relations existing between the two socialistic leaders.

Dr. Theophil Kozak, in a book entitled: *Rodbertus-Jagetzow's socialökonomische Ansichten*, Jena, 1882, has given a systematic statement of his entire theory, mainly in the language of Rodbertus himself. It is thoroughly trustworthy, and a most valuable help to the understanding of the author.

but took no active part in the movement. Even the socialistic agitation of Lassalle did not bring him to the front. Yet after 1860 he was known to all the socialistic leaders, and was often called upon to address their meetings or send them letters of advice. He never acceded to the former request, though he sometimes did to the latter. He shunned the work of an agitator. He was too much of a conservative to act otherwise than in full agreement with the powers that be.¹ Thus Rodbertus lived almost unknown to the general public till his death in 1875. His fame is chiefly posthumous, and is due in a degree to the labors of his disciples and admirers. His life was one of thought rather than of action. About the theories which he elaborated centres the chief interest of his career.

Rodbertus formulated his views on politics and economics early in life and adhered to them with little change throughout. His best years were passed while the Hegelian school of thought was dominant in Germany. Though he did not expressly ally himself to any branch of it, as Marx did, yet he is full of the idea of historic evolution. His doctrine, as well as Hegel's, was an outgrowth of the prevalent tendency toward historic research which had its rise at Göttingen in the latter part of the eighteenth century. Rodbertus had nothing in common with the pessimistic and fatalistic views of the young Hegelians. He was always a firm believer in human progress, as the result of conscious activity, and was a firm theist.

Extreme *laissez faire* notions never found acceptance in Germany. The theoretical views of Adam Smith always met with abundant criticism there. This is to be explained by the fact that the German state is too prominent in industrial enterprises, as well as in all other spheres of action, to be ignored in economic theory. Moreover, historical study opened the way for criticism of the existing social order in the light of experience. The historical study of institutions, inclusive of the state

¹ During the troubles of 1848 his place was in the party of the centre or of "all the talents," where he urged the introduction of a popular representative element into the constitution, without making any violent break with the history and traditions of the nation.

which is above and around them all, was favorable to the social view of political economy. It promoted the habit of looking at economic phenomena from the standpoint of the community and of social development in general. Hence, as soon as the modern industrial system, with its crises and other drawbacks, was developed in Germany, the way was prepared for intelligent criticism. Use was made of the works of Sismondi, and the earlier French socialists, but independent lines of thought were developed.

Rodbertus became impressed very early with the advantage which might come to the political sciences from following out the analogies which exist between the development of nature and of society. His philosophy professes to cover all of life, and aims at the most comprehensive view. To him life in society is the result of the inter-action of a trinity of forces—spirit, will, and matter; or the intellectual, manifesting itself in science and language; the moral, appearing in morality and law; and the material, or the sphere with which economics deal. The conditions in the lowest stages of social development are analogous to those of inorganic nature, or to the lowest forms of organic existence. With the advent of agriculture, based on the institution of slavery, society becomes organized, and states appear. When once that point is reached, all impulses to progress spring from society, and result in its movement as a whole. This idea Rodbertus keeps ever in mind. He constantly emphasizes the fact that the social standpoint is the one from which the phenomena of organic human life should be viewed. On that hinges his criticism of economic theories and public policy. But, as we shall see, he holds that the periods of transition from one form of organization to another are those in which the largest amount of individual liberty prevails.

All great historic changes are economic in their origin. Human labor is the one universal economic factor. Therefore the great periods of history will be distinguished from one another chiefly by the forms in which labor is organized. In pursuance of this thought Rodbertus—passing over primitive society, where the clan constitution prevailed, where all

property was communal and only simple economic conceptions apply — divides the history of mankind into two periods :

(1) The ancient Heathen State, which, after passing through the forms of theocracy and satrapy, culminated in the *polis* ;

(2) The German-Christian State. This has traversed the feudal and bureaucratic stages, and is now existing under the representative form.

The radical distinction between the two is, that in the former the individual had no rights as against the state, and all labor was slave labor ; in the latter, human rights were recognized and human slavery disappears.

Rodbertus' historic studies were devoted chiefly to Rome, and therefore its economic development occupies a larger share of his attention than that of any other period of history except our own. He views it as the culmination of the *polis*, and as illustrating all which that form of development has to offer. The *oikos*, or primitive family, formed the germ of the ancient city-state among the Greeks and Romans. Here the economic arrangements were simple, and such as would be found in a community where there was no division of labor, no distinction between manufacturing and agriculture, but little transportation, few exchanges, limited use of money, and where there could be no contest between the laborer and the capitalist, because the former was the property of the latter. There was but one form of tax, a progressive income tax in Athens, and a general property tax for citizens in Rome. The expenses of the state were few. There was but little distinction between it and society. The same families were leaders of both. Solidarity was the principle of organization throughout.

The growth of individualism in Rome began with the legislation of Servius Tullius, and ended with the full realization of the policy of the Empire. It was the work largely of the capitalist party of which Cæsar was the leader and representative. The strength of the family bond was weakened. Industry developed, new forms of production began to be carried on by corporations independent of the *oikos*. The system of taxation was enlarged by the early emperors to cover the newly devel-

oped enterprises. A special capitation tax, for instance, was levied by Alexander Severus on slaves, because their labor as artisans had become so profitable to their masters. When Caracalla in 213 admitted all the provincials to citizenship, uniformity between the Italian and the provincial system of taxation was approximately established. Systematic plundering of the provinces ceased. Means were taken to facilitate transfers of land. For a long time previous to this, freedom of traffic had existed between all parts of the empire. Thus free competition (*Frei-handel*) was established for the first time in history throughout the civilized world.

By the system of free competition, Rodbertus means not the absence of customs duties levied on the boundaries of a country, nor unhindered communication between different parts of the same country for industrial purposes, but absence of economic organization, *i.e.*, of legal combinations of persons engaged in similar pursuits. It is individualism, the negation of all forms in the domains of science, law, and labor. It means the disintegration of society. When one form of social organization has lived its time, a process of dissolution begins. Individuals struggle against the old in the domains of science (free thought), of law (political freedom), and of economy (freedom of competition). By these assaults the old forms are broken down. All that remains is a certain store of knowledge, the elements of faith, the principles of morality, — especially those which involve protection for person and property, — and a definite division of property. To every person is given the free use of his powers for production up to the limits of the criminal law. It is then thought that social laws operate like natural laws, and will of themselves work out the common weal. In its extreme form this involves the negation of the state. “Anarchy is panarchy” becomes the motto of the system. Persons who live in periods when the theory of free competition is carried into practice think they have reached an advanced stage of progress. They are really living in a time of transition, when the old is being torn away preparatory to a higher form of combination. If the tendency to individualism is allowed to operate

without restraint, it will prove unfavorable to freedom, because it will destroy the unity of the state. Ultimately, the state must interfere in the interest of public welfare, check the struggle for existence, and establish new social forms. Community feeling is the positive, constructive, life-giving principle in society. Individualism can stimulate for a time, but its effect must be temporary.

The period of freedom of competition in the Roman Empire continued fully developed from Cæsar to Diocletian. Its operation was on the one hand intensified by slavery, but on the other moderated by colonization. It produced great social inequality. Still, economic institutions continued to bear to a certain extent the stamp of antiquity. Barter always remained a prevalent form of exchange. The book-keeping of the Romans, both private and national, shows that even in the later Empire money was by no means universally employed. Also, the old theory of the unlimited power of the state was still held. Hence, the principles of solidarity in taxation, arbitrary assessments, payment in kind or by personal services rendered to the state, were employed with crushing effect by the later emperors. The needs of a vast military despotism were supplied by a system of taxation which had originated in the city-state, where the expenditures were few and civil power unlimited. It was in part the combination of the old and the new in the conditions of the Empire which made the fiscal policy of Diocletian and his successors so oppressive.

Diocletian brought the period of Roman *laissez faire* to an end. For fiscal purposes he sought to introduce the hereditary principle into all corporations, to freeze society into the forms which it then held. Moreover, with Constantine began a series of laws by which the *coloni*, who, since the later Republic, had been somewhat loosely attached to the soil, were now firmly bound to it (*adscriptitii*). This process was completed by the time of Justinian, and from the class thus formed developed the mediæval peasantry (*Bauernstand*). In this way originated one of the chief differences between ancient and modern society — the economic distinction between city and country. Agricul-

ture and manufacturing, which in the primitive city had been carried on indiscriminately by all, henceforth became the pursuits of two distinct social classes.

Thus the way was prepared for the downfall of the Roman system by the contradictions which were developed within it. The Germans only completed a work which was far advanced before they appeared west of the Rhine or south of the Danube. The Roman nationality, as well as the ancient economic institutions, disappeared in the transition to the German-Christian State.¹

From the abandonment of the slave system, and the rise of the distinction between city and country, follow all the economic characteristics of modern as distinguished from ancient society. The power of the state is now limited by the rights of the individual. A conflict between labor and capital becomes possible. It was impossible in antiquity, because the laborer was the property of the capitalist. Lastly, the separation of employments, beginning with the appearance of agriculture and manufactures as independent pursuits, and the organization of labor which has grown up with this separation, divides society into classes unknown to the ancients.

We are living in the third stage of the development of the German-Christian State, *viz.*, the representative. The bloom of the representative state coincides with the existence of the second period of free competition in the world's history. It was ushered in by the industrial growth of the last quarter of the eighteenth century. This movement was accompanied by sweeping legislation, based on the principle of "natural rights," which has established in the western nations freedom of labor and domestic traffic, and the equality of all before the law. The legislators who have carried this out stand to the present social system in a relation similar to that borne by Servius Tullius and Cæsar to the period of Roman *laissez faire*. The old restrictions were justly condemned and abandoned because they were proven to be injurious. The revolution proceeded from

¹ Robertus did not live to complete his account of the transition period after Diocletian. He announced another article on that, but died before it was written.

the real needs of the time, but it resulted in social disorganization. The development of the existing social order is no further advanced now than that of antiquity was in the time of Cæsar. It has by no means borne its full fruit. Neither is it the last and highest possible form of social development. It is transitional, like its predecessor. Through it the way is being prepared for a higher form of organization than that of antiquity or of the middle ages.

Rodbertus bases his discussion of the phenomena of our present social order on the doctrines of Smith and Ricardo. According to the views indicated above, he regards society as composed of laborers and capitalists, who are rivals in the struggle for existence. The one class possesses the instruments of production, and the other is unable to obtain a chance to labor without the consent of its opponents. The remuneration of the laborer is fixed by contract. In antiquity the master was bound to support his slave, if he was to have the results of his labor. Now the laborer has what he can get.

In his analysis of production and distribution under the system of division of labor, Rodbertus differs from the English economists only in viewing the subject from the social standpoint. He conceives of society as divided into several classes,—the raw-producers, the half-manufacturers, the manufacturers, the transporters. Commodities are ever passing in a continuous stream through the hands of these producers. If the current were stopped at any time, commodities would be found at all points along the line, from the raw-producers to the consumers. Also, the general classes of producers are subdivided into branches, as the various forms of raw-production and manufacturing, and these again are carried on as individual enterprises. The division of labor, by separating producers into classes, causes the development of the market, and makes exchange universal. With exchange, money comes into general use. As society advances, money will lose its character as a commodity, and be used only for settling balances. Then we shall have reached the period of credit economy.

But little is to be gained by looking only at the individualistic

side of division of labor. Its essence is community of labor, whether we contemplate the work in a factory, or enterprises which encircle the globe. A truly national and world-economy arises from it. It is the material bond which, with law and language, unites men in society. Each labors for all, and all for each. If we follow a commodity through all the stages of its course from the raw-producer to the consumer, we shall see that each class is dependent on all the others for the success of its work. Each class depends on the one before it for its raw material. By neglecting this point of view, the earlier economists have failed to see that the national product is a unit, in which all classes of producers share. By the same cause they have been led to adopt the erroneous view that the value of the product depends on the amount of the shares into which it is divided; *e.g.*, that the price of the product is affected by the rate of wages; that high wages hinder competition.

Distribution is more individualistic in its character than production. All who have contributed in any way to the work of production put in their claims and receive a part of the product. Public law decides how much shall go to society and the employees of the state. The amount which goes to individuals is fixed by competition in the form of rent, wages, and profits. The class engaged in transportation conveys the product to the individual to whom it belongs. But even in distribution the communistic element predominates, though obscured by the present legal system. Society is a unit; not simply an aggregate of individuals. The income of the state and of the various associations within it far exceeds that of any individual.

Here, then, we have a picture of the operation of supply and demand on the largest scale. In primitive society it was easy to adapt the one of these to the other. Each producer could easily obtain the full result of his labor, because production and consumption touched each other. But in the present complex society the adaptation of supply to demand becomes a service to the public of the most important and delicate character, requiring special knowledge and ability. The work is actually done by the capitalists, the managers of production, who, though

acting in a private capacity, are yet performing the service of public functionaries.

In the course of the preceding discussion we have had hints of the line of thought which Rodbertus would naturally pursue in his criticism of the existing social order. His historical philosophy is full of the idea that social systems are only relatively excellent ; that is, excellent to the degree in which they satisfy the needs of the times. Every system hitherto has contained a latent contradiction. This has slowly developed till the conditions of life have become intolerable. Then has followed a revolution, either sudden and by force, or gradual and peaceful. Rome fell because of the contradiction between the old principle of the omnipotence of the state, and the new economic conditions of the Empire. A contradiction exists in our society, arising from the relations between labor and capital, which will inevitably, in the one way or the other, cause the overthrow of existing property institutions. The argument by which Rodbertus seeks to establish this proposition runs as follows :

He starts from the Ricardian doctrine that labor is the only productive agent. Therefore, he argues, it must be the only source of value. He gives a broad definition of labor, *viz.*, the expenditure of human energy. He therefore includes under the term intellectual as well as physical labor. He acknowledges that nature is the source from which forces and materials are derived ; but its activity is not economic. Economy begins and ends with man in society ; either in the family or in some larger association. It is only through human labor bestowed upon them that natural products become commodities. Before that, they form the subject-matter of the natural, but not of the social sciences. In order to attain clear definition and classification, it is necessary to exclude from economics all consideration of nature apart from human labor. Economic science takes nature's work for granted, but from that work it is impossible to derive any rights in distribution. Land is neither capital, nor a productive factor. It is only through a misdirected social development that it has come to be so considered. Physical

labor is "immediately" productive, and so should receive a share in "direct distribution." Intellectual labor is "mediately" productive, and is entitled to share in "derivative distribution." The classification of society into laborers and capitalists, meaning by the former those whose labor is mostly physical and comparatively unskilled, employed in the mass and paid according to the time spent, is perfectly justifiable.

This doctrine of labor is, of course, given its due weight in Rodbertus' theory of capital. But another point of prime importance here is his distinction between essential capital (*Kapital an sich*) and historic capital. This involves also his theory of income. When we look at economic phenomena from the standpoint of the community, we find that the products of labor fall into two classes, *essential capital* and *income*. The former consists of those products which are devoted to the purposes of immediate production; the latter is composed of those which are accumulated in order that they may be consumed. They are the means of satisfaction; *e.g.*, objects of luxury, furniture, and the like. Capital, on the other hand, comprises tools and materials actually used in productive enterprises. Capital is not the result of saving; it is not an accumulation (*Vorrath*). Its nature is that it should be consumed almost as fast as it is produced. It is produced that it may disappear as soon as possible in new products. J. S. Mill's statement about the rapid disappearance of capital is eminently true. Saving or accumulation would necessarily defeat the end of its existence. How can materials and tools be saved? Nobody thinks of accumulating such, or of producing them for the purpose of accumulation. Essential capital, therefore, cannot be the result of saving, neither can that theory of its origin furnish the source of any claim for the capitalist in distribution. Capital is solely the product of labor, mediate or immediate. The labor bestowed upon the manufacture of a machine is, so far as the products of that machine are concerned, mediate labor. The labor of operating the machine itself in the manufacture of final products is immediate labor. If the machine cost n labor, and produces x goods before it is worn out, and if we designate the

immediate labor bestowed by m , then the value of each commodity produced will be represented by the formula $m + \frac{n}{x}$.

Essential capital, then, is not a productive agent. It is simply intensified labor. All implements are *vorgethane Arbeit*—labor already performed, accumulated labor. When a person uses an implement in a productive operation, he is calling into activity the labor of the present and of the past. The pre-historic man first increased the efficiency of his labor. He then had time left, after satisfying his wants, which he devoted to the making of his first tool. Production in all its stages is only a repetition of this process. When a new and better machine is put in the place of an old one, there is no increase of capital. On the other hand, there is often a positive diminution of the same, and that according to the prevailing notion of capital.

Moreover, the way in which products are distributed makes no difference with the fact that they have sprung entirely from labor. If we follow the series of productive operations back to their very beginning, we find that they resolve themselves into labor, and their products into the results of labor. Capital is ever rising to the surface of this vast stream of production only to sink again and disappear.

Finally, essential capital is not the source of income. Labor is the source of both. Capital may become income by being diverted from productive purposes to those of consumption. In the isolated and primitive condition of society, capital and income stand to each other in the relation of successive steps in economic progress, the one constantly passing into the other. But the connection of cause and effect does not exist between the two. Income may be great or small in proportion to capital, but not because it is created by capital. The income and capital of a nation together form the collective product of its labor, and this product is distributed among the different classes of producers.

Historic capital is a product of the system of private property in land and the other means of production. It is private capital, a result of social development, and therefore has no claim to universality or permanency. Private property in land arose

in consequence of the appropriation by individuals of the primitive communal domain. All the implements and materials of production have been appropriated by a special class — the capitalists. They employ these in productive enterprises of which they have complete control. Capitalists decide what enterprises shall be undertaken and upon what scale they shall be carried on. They advance the means for prosecuting the business and are the owners of the entire product. Their object in this is private gain. They will undertake nothing unless there promises to be a good demand, and that implies a previous accumulation and distribution of property. The laborers, who are the real producers, form a distinct class over against the capitalists. They own none of the implements and materials which they have produced. They use those which the capitalist, their employer, furnishes; and during the actual periods of production they live upon the commodities which he advances. Hence it seems as if the capitalist contributed an important productive agent, and that the profit which he receives is a return for its use. But this is to mistake the *possession* of capital for capital itself. The radical error in the theories of the earlier economists is that on this point they have confounded the appearance with the reality. The capitalist class is enabled to perform its function, not because it controls a separate factor of production, but because it has appropriated the lion's share of the products of labor. This result has been produced by laws favoring capital, and by the unequal conditions under which, from the first, labor has competed.

It follows from the doctrine already advanced that wages do not form a part of capital, but, with rent and profits, belong to national income. Whether they are paid after or before the sale of the product, the commodities out of which the wages come were produced before the time of making the payment. The wages paid at the close of each period of production, the day or the week, are in return for the goods produced during that period.

Rodbertus does not seek to deny or obscure the fact that the service performed for society by the capitalist class is very great. The skill and knowledge shown by them in starting and

managing industries he recognizes as labor of a very high quality. As such it is entitled to its just reward. It is labor which society cannot dispense with. The laborers themselves cannot perform it. The function of the manager must be retained, but his reward should consist only of wages of superintendence. Labor, in the broadest sense of the term, is the sole productive agent, and therefore is entitled to the whole product. But now the capitalist class receives it all, not because of the labor which they have performed, but because they are the possessors. All income in excess of the just return for labor, whether derived from land or capital, Rodbertus calls *rent*. This is what a man obtains without effort on his own part. It is the result of expropriation, robbery. He divides it into ground-rent and capital-rent, and the latter into interest and undertaker's profit.

From the point now reached it is easy to understand Rodbertus' theory of pauperism and crises. If rent, profits, and wages are paid from the total national income, it follows that a rise of the two former, or of either one of them, without a corresponding decline of the other, will be followed by a fall of wages. Rodbertus holds, with Ricardo, that under the system of free competition wages tend toward the minimum point, *viz.*, that amount which will supply the barest necessities of life. The forces which operate against this tendency are increase in the efficiency of labor, and checks to the growth of population. National productivity has been greatly increased, but most of its results have passed into the hands of the capitalists. That this is a necessary result appears when we examine the origin and present condition of the laborers as a class. Their ancestors were slaves in antiquity and serfs during the middle ages. When they emerged into freedom, ignorant and destitute, they found themselves in competition with an active, intelligent class furnished with capital. It was not a struggle between labor and the owners of land, alone and unassisted; but labor was forced into competition with a class possessing in addition all the fruits of a thousand years of civilization, developed during the ages of slavery and servitude.

Hence the start was unfair, and its effect has continued till the present. As the entire product of the slave's labor belonged to his master, so it continued to belong to his employer after the slave became a wage-worker. Instead of labor and property co-operating in the production of wealth, a form of contract was entered into. But contracts between members of two classes so situated cannot be fair. The laborer has only his one commodity, labor, which he must sell at once, or lose entirely. It is like "selling the harvest upon the stalk." Also, the general use of money in exchange is unfavorable to the laborer. It separates him further than ever from his product. Its purchasing power may differ from the value of the laborer's share of his product, nominal from real wages. Money is used when the employer pays his men, and again when it is expended in the purchase of the real wages. Whenever exchange is resorted to, the laborer comes under the operation of the so-called natural law of supply and demand. They always work to his disadvantage, because he is not in a condition to compete on an equality with the capitalist. Furthermore, the vigorous competition between capitalists makes cheapness a necessity. The reduction in cost which this necessitates is usually made at the expense of labor, because it is the weaker party. To the employer wages seem to be a part of the cost of production, and hence they are forced down.

The above considerations explain the fact that wages tend toward the starvation point. Competition can be free only between classes of equal economic strength. Between classes of unequal strength it is slavery under the name of freedom. The spirit of the system is seen in the prevailing doctrine that labor, meaning the laborer, is a commodity, a chattel, which forms a part of the cost of production, and is subject in all respects to the operation of supply and demand. Statistics confirm these statements, for they show that throughout Europe the wages of common laborers have never risen, except for short intervals, above the point of absolute need. The laborers are practically in the condition of serfs. On the other hand, profits and rent have risen greatly, the former more than the latter,

because the productiveness of manufacturing and transportation has increased faster than that of agriculture. Improvements in production under the present system are therefore a curse rather than a blessing. The defenders of free competition assert that everything which adds to national wealth is a good, and everything which takes from it is an evil. This is not necessarily so. Every addition made to national wealth may help the growth of inequality. While the laborers at one extreme of society sink into pauperism, the plutocrats at the other extreme pass from the struggle to increase productiveness, to the struggle for gain, pure and simple. From that they pass to rivalry in the pursuit of enjoyment. From this develops luxury, followed by moral corruption, which is the last stage in the process of social decay.

In his theory of pauperism Rodbertus discusses the movement of wages in reference to the minimum point. But there is another point of comparison. The expressions, wages are "rising" or "falling," are "high" or "low," may be used in another sense. This is with reference to the total product of labor. Wages may be absolutely high, that is, far above the least amount necessary for the support of the requisite number of laborers, and yet form a small part of the total national product. They will then be relatively low. The total national income may increase so much faster than wages, that the rate of wages may be slowly rising, though at the same time a continually diminishing share of the national product goes to the laboring classes. This is actually realized under the system of private property and free competition, and from it is derived the only satisfactory explanation of commercial crises.

Crises appeared with the advent of the modern industrial system, and have kept pace with its development. Instead of disappearing, they are becoming more frequent and severe. They may arise from the failure of producers properly to adapt supply to demand. That of itself reveals a weak point in the present social system. The fact that capitalists attempt nothing unless they think profit can be made out of it, and act upon the most imperfect knowledge of the conditions of the market,

leads to reckless and blundering ventures, which end in great and constantly recurring losses. But this, Rodbertus says, is by no means the source of modern crises. Their symptoms he describes with great ability. They are uniformly preceded by a period of high prices, great productiveness of labor and increase of capital, high wages, and fall in the rate of interest. The banks overflow with deposits; credit is so easy and confidence is so great that multitudes of new enterprises are started. Suddenly, as if by a stroke of lightning, the situation is changed. A stagnation occurs in some of the leading branches of a nation's industry, which extends to all forms of business. The prices of all commodities fall rapidly. Property and incomes shrink in value till all find it difficult to meet obligations, while many temporarily suspend payment or become bankrupts. Production is greatly curtailed. Thousands of laborers are left without work, and hence without food. The capitalist and laborer alike suffer. Sometimes a shock to credit begins the collapse; again, a poor harvest, or some important loss of capital. But most frequently it begins with a fall of prices. The channels of trade become obstructed; but in this case, unlike a river in the time of freshet, there is no overflow and enrichment of the surrounding wastes. The current of production stops and remains fixed in its channel. Abundance and want exist side by side, but cannot meet. Only after this condition has lasted for an indefinite time, does production begin slowly to revive, and better prospects appear for capital and labor.

Crises begin at the centres of industry and trade, where capital is most abundant and credit most developed. Commercial prosperity furnishes the conditions under which they thrive. In the most advanced nations they are felt most severely. They originated in England, the city of the world; but the development of railways, of steam navigation, and of stock transactions, has spread their effects over the two hemispheres. The crises since 1830 have affected all the western nations, and each has been more severe than its predecessor. The interval between the first and third crises (1818-1836) was eighteen years; that between the second and fourth (1826-1840)

was fourteen years; that between the third and fifth (1836-1847) was eleven years.

Since the growth of national debts and the issue of so many securities by corporations, stock transactions play a part in crises so important as to obscure their real nature. They are not money crises, but trade or community crises. Merchants who have imposed their superficial views on society explain them as the result of excessive speculation. But the real cause is to be found in the explanation of the first symptom; *viz.*, the fall of prices. Rodbertus, in his history of the crisis previous to 1848, strives to prove this point. He claims, for example, that the crisis of 1837 in England could not have been caused by the revolution in Lisbon, which depreciated Portuguese bonds. Large amounts of Spanish securities were held in England, but in 1835 a serious revolution occurred there without causing a panic in the English market. If a collapse of credit caused the panic in the former case, it should have produced a similar result in the latter. The fact, however, is that the year 1837 was preceded both in America and England by a period of most rapid increase in national wealth. The extent to which railroad building was carried is one evidence of this. But there was the greatest activity in every branch of agriculture and manufacturing. The introduction of machines vastly increased the labor power. Credit, which aids production by removing the necessity of waiting till new capital is created before enterprises can be started, was called into active service. Banks of issue, the most powerful organs of credit, gave their impulse to industrial progress. Under these circumstances great enterprises flourished, and it was *these* which produced a mass of commodities, the accumulation of which clogged the channels of trade. The crisis which followed, though introduced by a money panic, was really a sudden fall of prices in all the industrial centres from America to Constantinople. These phenomena are repeated in all crises. The all-important question then is, Why do commodities accumulate in this way? Production is only a few steps ahead of consumption; and if the entire wealth of any country were distributed equally among its

population, each individual would receive only a small amount. Why are not commodities taken off the market as soon as they are produced? The reason is, that the purchasing power of the masses, nine-tenths of the population, does not keep pace with the productiveness of their labor. This is the correct form of statement, rather than the one used by Malthus and Sismondi, that the producing power of the laborers exceeds their purchasing power. If each individual or class of producers received their entire product, the supply they bring to the market would equal their demand. These crises would be impossible, because purchasing power and productiveness would balance. It matters not whether the share of the laboring classes be absolutely small or not; so long as it does not increase as fast as their ability to produce, with the aid of all the machinery which is in operation, crises must be regular visitors in modern society. No class is responsible for their occurrences. Capital suffers from their effect as much as labor. The fault is in the system; it is organic. Attempts to restrict the proper development of credit, like the Peel Bank Act of 1844, will not cure the evil. We need all the aid that credit can furnish. Production should be extended in its scope rather than restricted. All that is needed is a more equal distribution. But can that be obtained under the system of free competition? Rodbertus holds that it cannot. Pauperism and crises are so related that the one cannot be removed without the cure of the other. Pauperism makes crises possible, and crises defeat all attempts of the laborers to escape from their poverty. Here lies the fatal contradiction which is to cause the overthrow of modern society. It is as real and deep-seated as that which prepared the way for the triumph of the barbarians over Rome. Now, however, the barbarians who threaten society with their attacks live within, rather than outside its borders. They are not slaves, excluded from the protection of the law, nor serfs, possessing a limited number of rights, but citizens, endowed with full political equality. They see in political freedom only a form, without substantial advantage. So direct and intense is the conflict of interests between capital and labor that Rodbertus sees only

revolution ahead, unless the state interferes to secure peaceful and regular developments.

The treatment of the problem of land and rent occupies an important place in Rodbertus' works, but only a passing reference can be made to it here. He subjected Ricardo's theory of rent to a searching criticism, holding that it does not explain the origin, but simply deals with the fact of rent. He brings out the points which have been made familiar to English readers by Carey and Jones, but adds others of greater scientific value. He would substitute for the doctrine the idea which has appeared already; *viz.*, that rent, like profits and interest, is the product of our social institutions. It is one of the forms under which the laborer is robbed of the product of his effort. "The theory of rent," he says, "is the answer to the question why persons who perform no service participate in the original distribution of goods." Again he says: "The taking of them out as a special share"—meaning rent and profits—"is private property in land and capital." Rodbertus seeks to explain the recent growth of indebtedness upon land throughout Germany, wholly from the fact that it has been treated as capital. By the legislation of the present century it has been brought under the influence of free competition. It is exchanged as if it were capital, and its value is expressed in the terms of capitalized rent. Thereby it has been subjected to the fluctuations of interest and of speculative demand. The result, in brief, has been that the owners of it, and dealers in it, have become involved more and more deeply in debt. But land, according to Rodbertus, is not capital at all. It is simply the source of rent. That alone measures its value. To treat land legally as if it were capital results not only in confusion, but in the loss to the landholding class. The principles underlying real credit are quite different from those of personal credit. Therefore Rodbertus urges that the rent-principle of the middle ages be brought again into use, and sees in that, together with the establishment of a system of country banks, a specific cure for the evils under which German agriculture is suffering.

The most important reforms proposed by Rodbertus are those

intended to remove the great social dilemma, the struggle between labor and capital. Unless this and the evils which come from it are cured, society will go to pieces. But they will be cured, he says, and that by means of a long process of historical development, continuing at least five hundred years. This process will not go on of itself. It must be a self-conscious evolution, guided by the controlling organ of society, the state. The evils of the present system will probably make themselves felt much more keenly than at present. But the sense of suffering caused by them will force society into a course of development which will lead ultimately to a complete transformation, a new social order. It is absolutely necessary, then, to discern aright the goal toward which we are tending. Then only can appropriate measures and a safe course of policy be chosen. The social question cannot be solved by any political change. It lies deeper than forms of government; it exists under all forms. It can be solved under a republic or a monarchy, though the latter offers advantages towards its solution, which the former does not possess. As already indicated, the process of change must be gradual, not sudden or destructive. No valuable human institution, whether in the domain of thought, morals, or economics, should be sacrificed. The production and distribution of wealth should be continued at least upon their present scale, and the way should be opened for extending them. Capital must not be swept away, but a balance to the power of capital secured. Under any tolerable form of society, laborers, landholders, and capitalists, in the sense of managers, must exist together. The ordinary laborers cannot manage the works of production. If they should successfully attempt it, the result would be the universality of corporation property, the worst and most tyrannical of all forms of ownership.

For this reason, and because Lassalle proceeded by agitation and antagonized the government, Rodbertus would have nothing to do with him. The two agreed in their theoretical views and ultimate objects, but they could not agree as to practical methods. It appears from his correspondence that Lassalle repeatedly begged Rodbertus to aid his movement, to offer some positive

programme. He accused Rodbertus of being visionary, and promised, if he would present something definite and tangible, to take it into consideration. But all appeals were in vain. Rodbertus insisted that the laborers were not ready for action. They would not unite, because community feeling was not developed within them. They were too ignorant of the problem and the conditions under which it must be solved. They must pass through a long course of training, intellectual as well as in the school of experience, before they will be ready to attempt the final solution. The other classes need developing also, as truly as the laborers. The moral tone of society must be raised, its will power increased. Class antagonism should be discouraged rather than intensified. The nation must move together under the lead of its government, if any true social progress is to be made. Strikes will be of no avail. They have not benefited the laborer's condition in England. The methods of trades-unions are open to serious objection. Association is the all-important thing, but it must be managed on peaceful principles.

The difference between the spirit of Rodbertus and that of Marx appears here very clearly. The latter held that individuals could accomplish nothing as such. The evils of society must develop until they become intolerable; and therefore the course to pursue was to increase the evil as rapidly as possible by agitation and attempts at revolution — *Theorie der Bösheit*. That would lead to a violent collapse and the establishment of the new system by force — a Napoleonic era.

The following quotations will make Rodbertus' views on this point still clearer :

The Social Question is the problem how peaceably to transfer society from our system, based on private property in land and capital, to the higher order which is necessarily and historically to follow it, and the signs of the approach of which are already appearing.

The Social Question is not to be solved upon the streets with paving stones and petroleum. Decrees might be obtained which would suffice. But by these the Social Question would be smothered in the cradle. However, it has already grown up above our heads, and cannot be

solved at present. All we can now do is to organize. We must proceed carefully, and not destroy the plant by rough usage. Social peace, unified political power, great preparations and deep-laid combinations, made quietly and with order and energy, — these are the conditions of the solution of the Social Question.

If conservative means the conserving of accursed plunder, then there is nothing more anti-conservative than the Social Question. But if conservative means strengthening the power of the monarchy, peaceful reforms, harmonizing of social classes under the ægis and according to the rule of *suum cuique*, then there is nothing more conservative than the Social Question.

The works of Rodbertus abound in passages similar to these. One of his favorite illustrations is that the transition to the new order will be like that from the invertebrates to the vertebrates in the animal kingdom. Now the state has as little organic adaptation to the rest of society as the head would have, if it were placed upon the back of an insect. The state should be placed at the top of society and in organic connection with it, so that its guiding influence may be felt through the whole body.

But it must not be imagined that Rodbertus was destitute of a practical programme. Although he avoided agitation, he was not simply the leader of a philosophical school. He distinguished specific diseases in the body politic from the general malady. To the former he would apply specific remedies, and that immediately. A case in point is the lack of credit accommodation and the burden of debt from which the German landowners are suffering. The specific remedy which he would apply to that is the establishment of a system of banks, and the introduction of the rent-principle.

Relative are also to be distinguished from final solutions. The former will only prepare the way for the latter. The final solution of the social problem will be found where the system of private property in the instruments of production has been succeeded by that of pure income property, and when the management of production and distribution has been assumed by the state. This involves a transition from one social order to another radically different, from the present to the ideal state.

The new social order is so remote that anything more than hints at its nature would be useless now. But there are preparatory reforms, which can be carried out under the present system. Among these are statistical inquiries on the largest scale concerning the hours of labor, the amount of work performed, and the income of the laboring classes. These should show both what is, and what should be. They should be gathered from existing conditions, and issued with such promptness that they can be used as the basis of legislation. A reform should at once be begun in the system of taxation. The rule to be followed is that the heaviest rate of taxation should fall on money capital, especially when it exists in larger amounts; the next lower on other movable property; the next on land; and the lowest on labor. The necessities of life should not be taxed. A heavy tax should be laid on inheritance, increasing in amount as the relationship of the heir becomes more remote.

The above reforms will operate indirectly toward the solution of the labor problem. The introduction of the "normal labor-day," and of factory inspection, will tend directly to that end. In the former case the only object aimed at, for the present, should be to restrict the hours of labor to a reasonable length. Ten hours would be a good average, but this could not be enforced in all forms of business. All necessary allowances should be made. Sunday labor should be discouraged. The fixing of the normal day's labor is held in reserve. The English system of factory inspection, with some modifications, is recommended.

Another class of reforms are those which contain the germ of the new *régime*; *viz.*, the extension of state enterprise. The railway, telegraph, post-office, and tobacco monopoly are illustrations of this. The history of these under government control shows that the economic sphere of the state can be enlarged. On this question Rodbertus claims to occupy a position between the Manchester school, which rejects all state interference, and the more extreme socialists, who say that state control is the best under all circumstances. It is the best under certain circumstances. It may improve the organization of society;

it is the only way in which to prevent the extension of monopoly; the state may thereby secure more cheaply than otherwise the articles which it consumes. The principle is right; the only question is that of its application. The aid of the state must not be invoked in a spirit of favoritism toward the laborers, or any other class. Its essence is that it substitutes public for private interest, as a controlling motive. It asserts the prerogatives of the community, as against those exercised by the officials of a joint stock company. If it had control of railways and bank notes, it would have a powerful weapon to use against crises. The domain of state activity, meaning by state the central organ of society, changes with historic progress. No hard and fast bounds can be set to it. Its limits are never the same in any two periods of history. In general, as the social organism becomes more complex and highly developed, the activity of the state increases both extensively and intensively. All signs indicate that we live in such a period.

After society has become sufficiently accustomed to state control, and methods of administration have been elaborated, then the time will be ripe for more decisive measures. The period of transition will then be entered upon. The statesman must then aim at obtaining for the laboring classes the highest available rate of wages. Even though we hold that the wage-fund theory is false, there must be, at any given time, some limit to the rise of wages. A certain sum in each line of business must be fixed upon and striven for by the state. This should not be so high as to hinder production, nor so low as to injure the laborers. It is useless to wait for such work as this to be done by the church, education, self-help, or by letting things go as they please. The state alone can effect it. But it must be careful not to infringe upon the freedom of inheritance, of alienation, or of mortgaging landed property; upon the right of placing or disposing of capital; upon the right of settlement, in its broadest sense; and the right to choose a calling. All these must be preserved intact. The state must solve the labor problem on the basis of a pure wage system, and it takes the initiative simply because employers and laborers will not do so.

Not only must the state secure a rate of wages which is up to the necessary limit, but it must obtain for all laborers an income, the growth of which shall keep pace with the increase of their productivity. It will therefore be necessary from time to time, as the productivity of labor increases, to increase the amount of income. This means the periodical fixing of the rate of wages by government according to the results obtained from statistical investigation. If this be done, labor will cease to be a commodity, at the mercy of the law of supply and demand.

It is clear that by the time this point is reached, private, or rent-bearing property in the instruments of production will have ceased. Collective, or state property will have taken its place. Capitalists and landowners will not be expropriated, or arbitrarily dealt with. They will still continue to manage their enterprises. But they will do it, not according to the system of free contract, but under the condition prescribed by the state. This will be that they surrender to the state, and through it to their employees, all their profits which exceed fair wages of superintendence. They, like all others, will be rewarded in proportion to their labor, and to that alone. All accumulation of capital from profits will cease. All classes of producers will be viewed solely from the standpoint of labor. Property will not be abolished, but it will take the form of income-property; that is, the right of each to the full product of his labor, minus that which the state will take for its own support. National income will evidently consist of two parts, capital and income-property; the former that portion of the product which is devoted to future production, the latter the part consumed. There will be no need of waiting for capital to accumulate before starting enterprises, because all will take their pay from the product as it is produced, and the state will see to it that demand is adapted to supply. Artificial monopolies, and the waste arising therefrom, will be avoided.

The central point in Rodbertus' theory of the ideal social order is the adaptation of national supply to national demand by the state. It is only in that way that the mischievous influence of competition can be abolished and the interests of the

community secured. Then only can the results mentioned above be obtained. The officials of the central government must ultimately superintend production and distribution. When they have obtained this power, they will periodically ascertain by statistical investigation the extent and character of the social demand. They will then so guide production that the supply of commodities shall always correspond to that demand. This problem, which seems so vast, he claims can be solved by means of the principle of time-labor.

We may suppose that the normal labor-day has long been established. If we combine with this the idea of normal day's work, we have the conception of time-labor. The quantity of labor-power expended by a workman during a normal day, though varying greatly according to the nature of the occupation, the skill and energy of the laborer, *etc.*, may be reduced to an average. This will be a normal day's work, the work performed by an average laborer. This, under the name time-labor, may serve as an ideal standard of measurement. Its objective form will be the product of the day's work. Now the productivity of all laborers in each branch of industry can be ascertained and expressed in the terms of the standard. But the sum of these, at any time, will be the social supply. The work of calculating averages must be done for each line of business separately. It will be a difficult undertaking, but the fact that H. Peters, the architect, working with Rodbertus, has performed the calculations for the labor of a carpenter, shows that it is practicable. The state must cause the estimate, and hence the standard, to be changed from time to time, as the productivity of labor increases.

The work of distributing the supply of commodities so as to satisfy the social demand will be managed as follows. The value of all products, as well as the efficiency of labor, can be ascertained by comparing them with the standard. By means of this a wage, or share in the product, can be given to each laborer, which exactly corresponds to the service he has rendered. If a laborer in half a day produces a commodity similar to that made by the average workman in his trade, working

with average skill and energy during an entire day (the standard), he will receive a full day's wages. If it takes another laborer two days to perform the same work, he will receive no more than a day's wages. Thus not only is a means devised for measuring the value of all commodities in the terms of labor, but we can, with its help, distinguish qualities of labor and assign rewards corresponding to efficiency.

The last step in the process of establishing the socialistic state will be taken when a form of paper money adapted to the needs of such a community is issued, and magazines for the storing of products before their distribution are built by the government. To these magazines all commodities will be carried after they are produced. Notes or certificates of work will be given to each producer by the state in amount equal to the labor he has performed. On presenting these at the public warehouses, such products as the laborer has earned can be obtained. In parts of this plan the influence of Proudhon can be traced.

Such is the outline of Rodbertus' theory of the socialistic state and of the method of transition to it. He claimed to have thought it out even to its details, but forbore publishing a complete picture of his ideal, because the public was not ready for it. It is the ideal, however, toward which all scientific socialists of this generation are working. Because only hints of his views concerning the ultimate solution of the social problem were contained in the works issued before his death, some have claimed that Rodbertus was not a socialist. There has been a tendency to class him with Sismondi, a critic of existing society, but without positive plans for the removal of its evils. But Rodbertus, as truly as Marx, considered the abolition of private property in land and capital to be the only sufficient remedy for our social ills. That proves him to have been, not a man with socialistic tendencies simply, but a socialist. He looked forward to the development of a form of society wherein the state should assume entire control of production and distribution.¹ Compe-

¹ For full statement of legitimate conclusions from Rodbertus' doctrines see Schäffle, *Bau und Leben des sozialen Körpers*, Bd. 2, S. 457.

tition, exchange, the regulation of prices by the action of supply and demand, would cease. Money would no longer be needed. Credit and all its institutions would disappear. All producers and consumers would be regarded from the standpoint of labor ; wages would be the only form of income. Public officials, elected or appointed for each district, would ascertain the demand for the various commodities produced there, provide for their supply, and fix the rates of wages according to the rule described above. All these officials would be under the control of a department of the central government. The production and distribution of wealth for the entire nation would be under the supervision of this central organ. The books kept by the state would contain the most perfect picture of every department of the economic life of the nation. Commodities, when produced, would be stored in public warehouses, and thence distributed by means of certificates of work. The state would take immediately what was necessary for its own support. Hence national debts and the modern system of taxation would disappear. With the surplus remaining after necessary expenses were paid, the state might patronize literature, science, and art on the most magnificent scale. Public education would be carefully provided for. Freedom of trade with other nations could be maintained by the socialistic state.

Rodbertus, we repeat, always insisted that no valuable social institution should be sacrificed in the transition to the new order. He meant by this that individual freedom in the choice of an occupation, incitement to skill, energy, and carefulness in production and in the work of the state officials should be secured by means of an appropriately graded system of wages. Also he would not abolish inheritance, only restrict it. Therefore the family could exist in its present form under the new system. Consumption would be for the most part unrestricted by the socialistic state. There would be no encouragement to amass large fortunes, because they could not be employed productively. Hence laws against luxury need not be very numerous or severe. Moreover, pauperism would disappear with its causes, and all the poorer classes would be able to maintain independent homes.

Rodbertus evidently thought that the church could be maintained and its operations carried on as well under the socialistic, as under the present system of society. Of course its alliance with capital, if any such there be, must cease. That, viewed from the socialistic standpoint, would be the completion of the work of the Reformation. But perfect freedom of thought and worship would be consistent with the spirit of the new system, and there might be less temptation to worldliness and more devotion to good works than now. The essentially Christian element in socialism, which is emphasized by Laveleye and other writers, is not pointed out by Rodbertus, because he treats the subject wholly from the standpoint of the economist. But it is in perfect harmony with his general position and spirit. He is not materialistic, not irreligious, not destructively revolutionary, not exclusively devoted to the interests of one class as opposed to those of the others. His aim is by a system of checks and balances to secure all that is valuable and put an end to strife.

If this economic millennium is ever to be realized, it of course must be preceded by a most important change in the spirit of society. Externally, the introduction of the socialistic state would be effected by a development of the system of administration. The idea was hatched in the heads of Germans who have always been accustomed to an elaborate administrative system. The spirit of officialism has always been dominant in Prussia. Political and economic freedom in that country was almost thrust upon the people, not extorted by generations of conflict with oppressive governments. Jealousy of state interference, so much of it as exists, has for the most part been imported from France and England.¹ Therefore the confidence shown by the German people and by the majority of their political philosophers in the capacity of the state to solve all problems can scarcely be understood by an American or Englishman. They are accustomed to a highly organized civil service. A most important object of the system of national education is to prepare for official life. It is considered

¹ J. R. Seeley, *Life and Times of Stein*.

an honorable calling. The best talent of the country, throughout this century, has been devoted either directly or indirectly to the service of the state. Twice, once at the beginning of the century, and again in our own time, the greatest statesman of his generation has been placed in control of affairs long enough to impress his personality on contemporary events. The rapid material progress of Germany since 1870; the successful operation of the railroads and telegraph by the state; the fact that the Prussian government has always controlled the mining industry, forests, and large public domains, are considered good omens of success if the state should continue to extend the scope of its activity. Therefore, most German theorists acknowledge the abstract possibility of such a perfecting of the science and art of administration, that much of raw production, manufacturing, and transportation in their own country could be carried on by the state. This, so far as it goes, is in agreement with the view of Rodbertus. But he, as well as they, realized fully that a long period must elapse before any change of this character could be brought about. Socialism, according to him, is the opposite of individualism. Solidarity, community feeling, public spirit, is the motive of action to which it appeals, while self-interest is the peculiar motive of individualism. He would by no means exclude the latter, but he would bring the former to a place of equal prominence with it. He did not believe in state-help alone, but in self-help supplemented by state-help.

But before the socialistic ideal can be realized, the grosser forms of self-seeking must disappear. Men must abandon their selfishness to a degree. Honesty must prevail, both among the official class and outside. Without the support of a public opinion in harmony with socialism, the socialistic state would be doomed to failure. No system of administration, however well devised, would work smoothly under any other conditions. So long as the capitalistic spirit prevails in society, capitalism must be maintained. Socialism, if established now, would have to rest upon force, and that, according to Rodbertus, is not the condition of progress. Hence he urged that a long course of

social training is necessary before the establishment of the socialistic state can be even attempted. Marx and Lassalle never insisted on this, and therefore their teachings have a more revolutionary character. The object aimed at is the same, but the method of reaching it is different. It is not so much upon the fact that Rodbertus was the first to formulate the theory of the socialistic state (1837-1842) that his claim to be the leader of that school of thought rests, as upon his clear appreciation of the only way in which the ideal can ever be realized. He thought that a greater degree of social equality could be secured without encroaching seriously upon essential freedom. But in order to do this, the work of reform must not be pushed faster than society is willing to advance. The legal bonds within which society moves should always correspond to its inner spirit. When, however, the time is ripe for an important change, it can be made quickly, as was shown by the experience of Prussia between 1807 and 1820. During that short period, under the leadership of Stein and Hardenberg, the feudal system was cast aside, and freedom of competition, together with a whole series of administrative reforms, was introduced.

In order to criticise aright any system of thought or public policy, it is necessary to know the best it has to offer. When we denounce the average labor agitator, or the statements contained in the manifestoes of the International, we do not necessarily attack socialism. It would not be just to hold the theory of individualism or free competition responsible for the exaggerated claims of some of its advocates. Socialism is a system of economic thought, standing over against *laissez faire*. It is the outgrowth of social conflict and of the development of historic study. During the last twenty years it has certainly wrought a great change in theoretical political economy. That the problems of distribution are recognized and treated now so much more prominently than by the older writers, is due to socialism. Its doctrines, that labor in a complex society is the only source of value, and that under the influence of competition wages must remain at or near the starvation point, are

exaggerations, borrowed from English economists, which can be easily detected and exposed. But they have helped to correct perhaps as serious exaggerations on the other side. The theory that free competition always operates beneficently has, as its correlative, the Darwinian hypothesis of natural selection applied to society. Humanitarian impulses are sentiment; failures are always the result of vice or, what is worse, weakness. The advocate of *laissez faire* starts with the individual, forms his premises and draws his conclusions from the standpoint of the successful producer and distributor of wealth. The socialist starts from the opposite pole, the community; seeks to explain economic phenomena from the social standpoint, and keeps ever in sight the needs of the nation as a whole. These views supplement one another. The policy of every civilized nation is the result of the interaction of the two. If socialism is now considered revolutionary, individualism was in much the same position a century ago.

In view of the theory stated in this paper, several of the stock arguments against socialism fall away. The system is not necessarily materialistic or irreligious, though some of its advocates may be. It does not propose the abolition of property, or the levelling of incomes. It would not abolish freedom for the sake of establishing equality. It is not necessarily revolutionary, or anti-conservative. If its ideal can ever be reached, self-help would not be sacrificed to state-help. Socialism has no appreciable connection with protectionism. The question then between socialism and the present system is not one of overwhelming moral importance, on which depends the safety of the family, the church, and the individual. They can flourish or decline under either *régime*, according to the moral tone prevailing in society.

The question is one of expediency, of ways and means for securing the maximum of social well-being. Under which system can society perform its functions the more economically, with the least waste and the largest total advantage? In order to be successful, the socialistic state would require a standard of public and private morality far above the average attained in

our best communities to-day. Official life must be freed from all corruption, from all tendencies to self-seeking, self-indulgence, or greed. Party government would have to undergo important restrictions and limitations. Patriotism must always exist among the people to a degree now only realized by a few during a great national struggle for liberty. The average man must be so highly developed morally, that he will be ready to sacrifice personal gain and enjoyment for the good of the community. To this age, a system with such requirements can be only a dream, an aspiration. It cannot be a practical solution of the labor question. Under the conditions stated, any social system would work smoothly.

Another question of prime importance is, whether so heroic a measure as the substitution of state for private property is, or ever will be, necessary. Is inequality developing so rapidly that its progress cannot be checked by forces which society, even in its present form, may call to its aid? The socialists underestimate the incalculable service rendered to society by freedom of competition. The induction on which their sweeping conclusions are based is inadequate. This is notably true of Rodbertus; and in the case of Marx, though the facts adduced are more numerous, they are all drawn from one side. The conclusion is not a new one that socialism, as a criticism of existing society and of some lines of economic thought, is rendering most valuable service. A healthful scepticism of schools and policies is produced by it. But as a practical programme it has little to offer which views of a more moderate character cannot supply.

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